

2007-2008 PERFORMANCE PLAN – Chief Investment Officer (R. Read)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	2 nd Quarter Status
35%	Total Fund	Excess return in basis points relative to total fund performance benchmark. (SJ1C – CPERSTOT)	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	-57 bps {2.53 - 3.10}
10%	Global Equity Performance	Return deviation in basis points relative to: Global Equity performance benchmark (GLOBLIC vs. CPERSGE2)	- 50 basis points = 0 - 10 basis points = 1.0 + 15 basis points = 1.5	-87 bps {(0.51) - 0.36}
10%	AIM Program Performance vs. AIM Benchmark	Total AIM portfolio investment performance vs. Venture Economics young fund median return benchmark for measured time period. Identifiers: N/A – performance and benchmark compiled quarterly by Wilshire	Median = 0 Median +150 = 1 Median +250 = 1.5	Above Target Excess Return: +2,055 bps
10%	Global Fixed Income	Total Global Fixed Income vs. 88% Lehman Domestic Index/12% WGBI ex US. (SJEK – CPERGFI)	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5	-3 bps {7.45 - 7.48}
10%	Real Estate	Total Real Estate vs. NCREIF Property First Quarter Lag Index.	0 basis points = 0 +50 basis points = 1.0 +75 basis points = 1.5	-55 bps {4.04 - 4.59}
75%	Subtotal	Quantitative Measures		

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25%	Leadership	<p>Demonstrate leadership within CalPERS and in the external investment community, as both industry and staff (or team) leaders. Dimensions, all of which will be considered, include:</p> <ul style="list-style-type: none"> • Within Investment Group (e.g., teamwork within and across asset classes, timely preparation of staff performance appraisals, appropriate employee recognition) • Trustees (e.g., written and oral presentations to Investment Committee and Investment Policy Subcommittee) • External Investment Community (e.g., relationships with external business partners and stakeholders, presentations at conferences and similar events, representation on external boards and committees) 	<p>Score (0 – 10)</p> <p>0 = 0</p> <p>5 = 1.0</p> <p>10 = 1.5</p>	<p>Launched major team building and strategic planning efforts in conjunction with all senior investment staff—goal is to harness the collective insights, strengths, and teamwork of the group to establish the best possible investment effort over the coming decade.</p> <p>Presented and coordinated effective Asset Allocation Workshop designed to efficiently allocate our assets over the next three years to meet our actuarial and investment goals.</p> <p>Chaired the President's Working Group Investor's Committee charged with developing the principles and best practices for hedge fund investment for investors countrywide.</p>

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	2 nd Quarter Status
		<ul style="list-style-type: none"> • CalPERS (e.g., involvement in enterprise-wide initiatives and programs) • Diversity (e.g., promote meaningful diversity among our investment partners and staff) • Succession Plan (e.g., training and developing strong internal candidates to potentially fill my role in the future) • Strategic Plan (e.g., design initiatives which will meaningfully maintain the investment advantage for CalPERS) 		<p>Provided critical testimony for acceptance of Federal CAFÉ standards mandating an increase in automobile fuel efficiency.</p> <p>Worked with Actuarial team in aligning Asset mix to best meet our actuarial obligations.</p> <p>Worked with the Health Branch to propel specific opportunities in the Healthcare Investment Initiative to promote cost effective CA provided health services.</p> <p>Attended and spoke at New American Alliance meeting (Arizona).</p> <p>Hired Farouki Majeed (formerly CIO of the Abu Dhabi Pension Fund) as a strong SIO for the new Asset Allocation effort.</p> <p>Integrated all SIOs into tactical asset allocation decision-making team to broaden their perspectives and experience.</p> <p>Launched major strategy development effort harnessing external consultants and all senior investment staff to identify, develop and implement the major initiatives needed for INVO to remain the leading Institutional Investor among public institutions worldwide.</p>
25%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		